



CALIFORNIA Economic Indicators

March – April 2003

A weak start for 2003

Despite weakness California's labor market outperformed the nation.

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

The California economy has started 2003 following trends that were evident throughout 2002: labor markets remain weak, with high tech manufacturing continuing to suffer large job losses. Home building, in contrast, is still a bright spot.

California's economic condition, while still hobbled by weak business investment, is better than the nation's as a whole. Although the state lost jobs in February and March, its percentage loss was considerably less than that in the nation. The state's unemployment rate retreated slightly in March while the national rate was unchanged.

EMPLOYMENT

The beginning of 2003 saw the introduction of the new North American Industrial Classification System (NAICS). Even though NAICS will ultimately provide a better picture of the economy, the transition makes it more difficult to discern current economic conditions.

Losses in March, but still better than the nation

Nonfarm payroll employment fell by 4,100 in March, which, as in February, was much less than the state's proportionate share of the total number of jobs lost in the nation. (Job losses totaled 108,000 in the nation in March. In 2002, California was home to 11 percent of the nation's total nonfarm jobs.) From March 2002 to March 2003, nonfarm employment grew by 9,300 in California while falling by 293,000 in the nation.

Employment in March growth was led by Construction—unsurprising given the recent pace of home construction—and Education and Health Services. Construction employment grew by 8,400 jobs; Education and health industries added 5,700 jobs. Other gains included Financial Activity, 3,000, and Information, 1,700.

Seven industry sectors lost jobs in March. Professional and Business Services firms dropped 9,300 jobs; Trade, Transportation, and Utilities, 5,600; Federal, State and Local Government, 4,100; Manufacturing, 2,200; Other Services, 1,000; Leisure and Hospitality 400; Natural Resources and

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FIGURE 1

California Nonfarm Employment Under NAICS
March 2003
1,000s of Jobs, Seasonally Adjusted

	Total Employment	Yr-Over-Yr Growth No.	%
Total Nonfarm	14,474	9.3	0.1%
Goods Producing	2,410	(47.7)	-1.9%
Natural Resources and Mining	22	(2.0)	-8.3%
Construction	792	18.9	2.4%
Manufacturing	1,596	(64.6)	-3.9%
Service Providing	12,064	57.0	0.5%
Trade, Transportation and Utilities	2,736	16.0	0.6%
Information	472	(47.8)	-9.2%
Financial Activities	860	16.5	2.0%
Professional and Business Services	2,112	(17.2)	-0.8%
Educational and Health Services	1,521	34.4	2.3%
Leisure and Hospitality	1,402	34.7	2.5%
Other Services	499	(3.9)	-0.8%
Government	2,462	24.3	1.0%

Mining, 300. Government employment dropped in both February and March. The losses appear to have originated from reduced noneducation employment at the state and county levels.

From March 2002 to March 2003, Leisure and Hospitality made the greatest gains-34,700 jobs (2.5 percent). Education and Health Services added a comparable 34,400 (2.3 percent); Government, 24,300 (1.0 percent); Construction, 18,900 (2.4 percent); Financial Activities, 16,500 (2.0 percent); and Trade, Transportation, and Utilities, 16,000 (0.6 percent).

Year-over-year losses were concentrated in the state's high technology industries. Losses in Manufacturing, 64,600 jobs (3.9 percent), were still led by the high technology electronics sectors including Computer & Electronic Products. The new Information sector-also a high tech specialty-dropped 47,800 jobs (9.2 percent). Professional and Business Services employment dropped by 17,200 (0.8 percent).

The state's unemployment rate dropped in March while the nation's held steady. California's unemployment rate was 6.6 percent, down from an upwardly revised 6.7 percent in February (originally reported at 6.6 percent). The number of unemployed decreased by 20,000 in March, while the labor force increased by 6,000. A year ago, the state's unemployment rate was 6.6 percent. The national unemployment rate was 5.8 percent in March, unchanged from February.

BUILDING ACTIVITY

Home building surges in the first quarter

Home building made impressive gains during the first quarter of 2003. Residential construction, measured by permits issued, grew an average of over 36 percent during the first three months of 2003 compared to the same months of 2002. Residential permitting averaged 215,000 units on an annual rate basis. These gains were largely fueled by a 65 percent jump in the volatile multifamily sector.

Commercial construction slacks off

Nonresidential construction, in contrast, continued to struggle. Total nonresidential construction, measured by the value of permits issued, dropped almost 7 percent during the first quarter of 2003. Moreover, March's annual rate of \$1,009 million was the slowest pace recorded since November 1997. While reduced office construction continued to account for a significant share of the slowdown, there was a slowdown in all commercial sectors, with the exception of parking garages. The pace of office construction in March was off 77 percent from its peak in September 2000.

REAL ESTATE

Real estate slows as the year opens

Following a surge of home buying at the end of 2002, sales of existing single-family homes slowed

in February 2003. The pace, 566,890 units on a seasonally adjusted, annual rate basis, was 3 percent below the January pace and over 7 percent below sales in February 2002. Home sales during the first two months of 2003 were off over 3 percent from the same months of 2002.

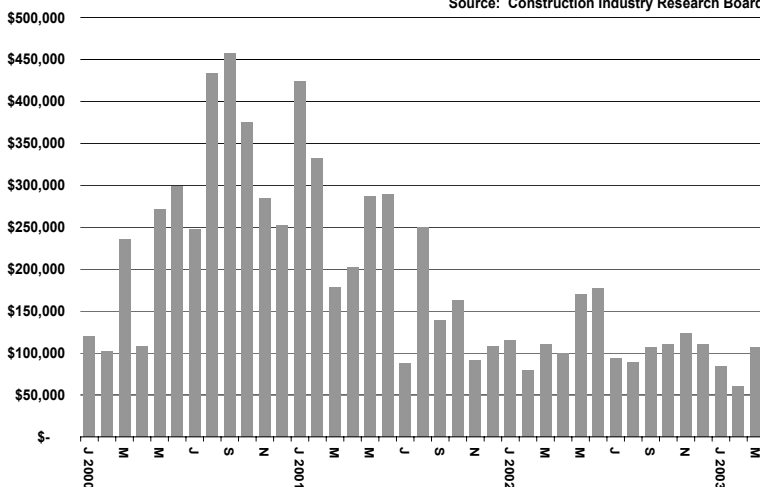
Home prices, while still at record high levels, are not rising at the extraordinary pace they were during 2002. The median price of existing single-family homes sold in February fell 2.7 percent to \$327,600-the second consecutive month-over-month decline. Even though this price is still a 9.8 percent increase from one year ago, this is the first single-digit year-over-year increase since November 2001. Annual price appreciation averaged 20.6 percent during 2002.

FIGURE 2

Office Construction Slides

Office Building Permitting
\$1,000s, Annual Rate

Source: Construction Industry Research Board



■ A NEW EMPLOYMENT PICTURE

Estimates of industry employment are probably the most closely watched economic statistics, particularly when it comes to state and regional economies. Beyond indicating the general condition of the economy, detailed industry employment data also provides insight into industry trends and developments. Sometimes, these specific trends are more significant to regions that specialize in particular industries.

The estimates released in February of 2003 represent a significant revision to the previous estimates. These revisions are reflected not only in the current employment estimates but also in historical data, which affects our view of recent history. The revisions, which constitute a significant break in time series employment data, resulted from several changes to the methods used to collect, process, and report employment information.

■ Conversion to NAICS

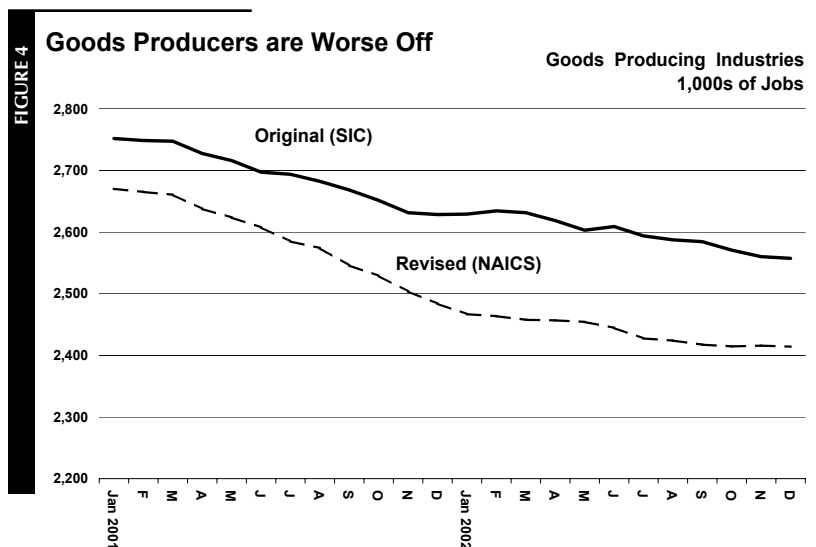
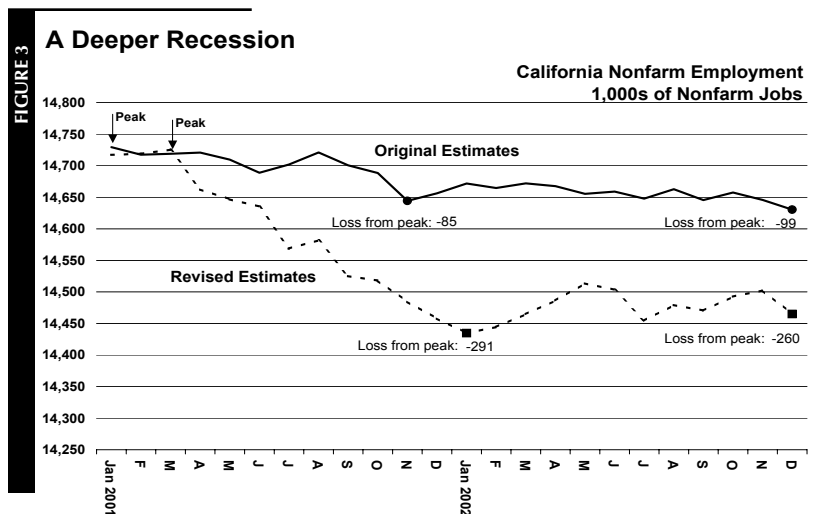
In February 2003 the California Employment Development Department began publishing official industry employment estimates using the North American Industrial Classification System (NAICS). This system focuses on how products and services are created; as opposed to the Standard Industrial Classification System (SIC) it replaced, which focused on what is produced. NAICS classifications yield significantly different industry groupings than those produced under SIC. NAICS uses a production-oriented, or supply-based, framework and gives special attention to new and emerging industries, service industries in general, and high technology industries.

■ CES Sample Redesign

The U.S. Bureau of Labor Statistics phased in a redesigned sample methodology for its Current Employment Statistics (CES) program, which forms the basis for the state's employment estimates. The redesign converts the CES from a quota-based sample to a probability-based sample. The quota-based system gave priority to the state's largest employers with an aim to survey as much of the employed population as possible. The new system eliminates potential biases in the quota design by; (a) using a simple random sample, stratified by industry and size; and (b) drawing the survey sample from rotating panel of firms. The new system also uses the ARIMA time series model to improve estimates of business births and deaths. The conversion to probability sampling had been phased in over two years, and was completed in February 2003.

■ Annual benchmarking

Nonfarm employment estimates enjoy considerable credibility because they are derived from a large-sample business survey that is calibrated with actual payroll tax information. The official California nonfarm employment series is derived from a monthly survey of about 36,000 firms that employ about 35 percent of all payroll employees in the state. Each year the California Employment Development



Department calibrates, or "benchmarks," these estimates to the prior year's first quarterly unemployment insurance tax tabulations, which covers virtually all private employers in California (the ES-202 report). The first-quarter tax information undergoes a rigorous review and editing process to ensure its accuracy. Thereafter, until a new benchmark is established the following year, monthly employment estimates are calculated based solely on the trends indicated by the establishment survey.

Cumulatively, these modifications led to a substantial change in the nature of the state's employment figures. These changes not only affected current employment estimates but also changed our view of the recent past. For instance, historical NAICS-based employment estimates were generated dating back to January 1990. The "benchmarking" process, in addition to forming the basis for future monthly estimates, is also applied to estimates for the prior two years. Thus, employment "history" has changed significantly.

THE RECESSION WAS WORSE

Probably the most striking change that appeared affects our view of the current recession. Under the original estimates, industry employment peaked in January 2001 followed by a modest, stuttering ten-month decline. Thereafter, employment stagnated, with alternating months of minor gains and losses. According to the new estimates, employment peaked in March 2001 and was followed by 10 months of sustained erosion. Employment then followed a more volatile pattern. While in neither case has employment recovered to any meaningful degree, the new series indicates some jobs gains were made by the end of 2002.

The greatest contrast is in the severity of the recession. Under the original estimates, employment declined by 85,000—a mere 0.6 percent—before stabilizing. The revised estimates indicate a loss of 291,000 jobs, or a 2.0 percent decline. While this new job loss estimate is still modest by historical standards, it is more severe than was previously indicated.

The conversion to NAICS makes it difficult to pinpoint the effect of the revisions on specific sectors. At the broadest level though, it appears that service industries, in addition to experiencing more modest losses, were also less affected by the revisions. Under the original estimates, service-producing industries actually grew a modest 0.3 percent during the peak-to-trough period. With the revisions, this gain was turned into a 0.8 percent loss. Goods-producing industries, in contrast, lost jobs under

both series. The original 4.4 percent peak-to-trough loss was worsened to a 7.3 percent loss in the revised series. The principal contributor to this swing was the manufacturing sector, whose initial 6.3 percent loss was revised to a 9.7 percent loss. This is not surprising since the principal source of this recession was a dearth of business investment, particularly in information technologies, in which California specializes.

HIGH TECH CENTERS SUFFER

As would be expected, given the industry trends noted above, the state's high tech manufacturing centers have suffered the most. The San Francisco Bay Area lost 90,000 jobs in 2002 according to the original estimates. The revisions boosted those losses to over 170,000. Southern California, in contrast, increased employment according to the original estimates. The revisions turned that gain into a loss, but only of about 12,000 jobs. Both the Central Valley and Sacramento regions posted job gains in 2002 according to both employment estimates.

Overall, the new employment estimates paint a bleaker picture of California's performance during the recession.

FIGURE 5

Regional Performance

Original Vs. Revised Nonfarm Employment Annual Average

		2000-2001		2001-2002	
		No.	%	No.	%
SOUTHERN CALIFORNIA					
Los Angeles	Revised	1,500	0.0%	(40,100)	-1.0%
	Original	21,733	0.5%	(26,483)	-0.6%
Orange County	Revised	24,800	1.8%	(10,700)	-0.8%
	Original	(575)	-7.5%	(200)	-2.8%
Riverside-San Bernardino	Revised	41,300	4.2%	28,100	2.7%
	Original	40,725	4.1%	29,708	2.9%
San Diego	Revised	24,600	2.1%	10,100	0.8%
	Original	27,783	2.3%	23,158	1.9%
Ventura	Revised	4,900	1.8%	400	0.1%
	Original	5,125	1.9%	700	0.2%
SAN FRANCISCO BAY AREA					
Oakland	Revised	10,200	1.0%	(12,200)	-1.2%
	Original	14,142	1.4%	(4,300)	-0.4%
San Francisco	Revised	(28,200)	-2.6%	(65,300)	-6.2%
	Original	(10,900)	-1.0%	(33,542)	-3.1%
San Jose	Revised	(26,500)	-2.6%	(94,200)	-9.4%
	Original	(13,533)	-1.3%	(52,467)	-5.2%
CENTRAL (SAN JOAQUIN) VALLEY					
Bakersfield	Revised	8,100	4.2%	2,000	1.0%
	Original	5,908	3.0%	3,442	1.7%
Fresno	Revised	5,900	2.0%	7,200	2.4%
	Original	6,700	2.2%	3,867	1.3%
Modesto	Revised	5,500	3.8%	1,600	1.1%
	Original	5,392	3.7%	2,417	1.6%
Stockton-Lodi	Revised	5,300	2.9%	2,900	1.5%
	Original	5,925	3.2%	3,375	1.8%
SACRAMENTO REGION					
Sacramento	Revised	21,500	3.0%	12,500	1.7%
	Original	22,633	3.2%	1,225	0.2%

Select Indicators

Employment

EMPLOYMENT (Seasonally adjusted)

	2003			2002		Yr-Over-Yr % Change
	Mar	Feb	Jan	Dec	Mar	
Civilian employment (000)	16,448	16,422	16,415	16,291	16,211	1.5
Unemployment (000)	1,159	1,179	1,163	1,206	1,146	1.1
Unemployment rate	6.6	6.7	6.6	6.9	6.6	--
Nonagricultural wage and salary employment (000) a/	14,474.1	14,478.2	14,493.3	14,464.9	14,464.8	0.1
Goods-producing industries	2,410.0	2,404.1	2,402.5	2,414.1	2,457.7	-1.9
Natural resources and mining	22.1	22.4	22.0	22.7	24.1	-8.3
Construction	792.0	783.6	780.9	784.1	773.1	2.4
Manufacturing	1,595.9	1,598.1	1,599.6	1,607.3	1,660.5	-3.9
Service-providing industries	12,064.1	12,074.1	12,090.8	12,050.8	12,007.1	0.5
Trade, transportation, and utilities	2,736.2	2,741.8	2,749.4	2,717.9	2,720.2	0.6
Information	472.0	470.3	473.7	477.9	519.8	-9.2
Financial activities	860.2	857.2	854.0	859.8	843.7	2.0
Professional and business services	2,111.6	2,120.9	2,128.5	2,135.4	2,128.8	-0.8
Educational and health services	1,520.6	1,514.9	1,510.2	1,513.7	1,486.2	2.3
Leisure and hospitality	1,402.4	1,402.8	1,403.9	1,382.9	1,367.7	2.5
Other services	498.8	499.8	501.6	502.9	502.7	-0.8
Government	2,462.3	2,466.4	2,469.5	2,460.3	2,438.0	1.0

Hours & Earnings

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	39.6	39.5	39.1	40.4	39.8	-0.5
Average weekly earnings	\$594.79	\$591.32	\$587.28	\$610.85	\$591.83	0.5
Average hourly earnings	\$15.02	\$14.97	\$15.02	\$15.12	\$14.87	1.0

Consumer Prices

CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

All Urban Consumers Series						
California Average	n.a.	190.5	n.a.	187.2	n.a.	--
San Francisco CMSA	n.a.	197.7	n.a.	193.2	n.a.	--
Los Angeles CMSA	188.2	186.5	185.2	183.7	181.1	3.9
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	183.7	n.a.	180.4	n.a.	--
San Francisco CMSA	n.a.	193.7	n.a.	189.6	n.a.	--
Los Angeles CMSA	181.6	179.6	177.8	176.7	173.8	4.5

Construction

CONSTRUCTION

Private residential housing units authorized (000) b/	183.9	267.9	201.5	150.5	145.2	26.6
Single units	123.1	148.9	173.9	119.2	113.4	8.5
Multiple units	60.8	119.0	27.6	31.3	31.8	91.0
Residential building authorized valuation (millions) c/	\$35,202	\$46,098	\$43,317	\$29,685	\$29,960	17.5
Nonresidential building authorized valuation (millions) c/	\$12,104	\$14,375	\$13,724	\$16,441	\$12,275	-1.4
Nonresidential building authorized valuation (millions) d/	\$1,031	\$1,029	\$1,016	\$1,236	\$1,047	-1.6
Commercial	341	295	336	629	353	-3.5
Industrial	57	83	103	92	81	-29.1
Other	226	200	174	144	180	25.5
Alterations and additions	407	451	403	371	433	-6.2

Auto Sales

AUTO SALES (Seasonally adjusted)

New auto registrations (number)	129,577	139,002	157,466	133,894	137,664	-5.9
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a/ The wage and salary employment information is now based on the new North American Industry Classification System (NAICS)

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

Select Indicators

Continued

VACANCY RATES FOR FOURTH QUARTER 2002 (Percent)

	<u>Downtown</u>	<u>Office Suburban</u>	<u>Total</u>	<u>Industrial</u>
Northern and Central California:				
Oakland-East Bay	18.0	14.4	15.1	--
Sacramento	7.3	11.5	10.5	15.9
San Francisco	18.3	24.4	20.1	12.6
San Jose	19.1	22.1	21.5	--
Southern California:				
Los Angeles Metro	16.7	11.5	12.4	9.2
Orange County	--	16.3	16.3	--
San Diego	10.5	11.9	11.6	9.3
Ventura County	--	13.8	13.8	--
National Average	13.5	16.8	15.6	11.5

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2002				2003	
Jan	\$287,080	Jul	322,630	Jan	\$336,740
Feb	294,870	Aug	332,970	Feb	327,600
Mar	305,970	Sep	322,480		
Apr	317,100	Oct	322,990		
May	319,570	Nov	327,500		
Jun	323,300	Dec	339,570		

Leading Indicators/^A

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1998	Jan	5.1	42.2	56,302	4,675	105.8
	Feb	5.0	41.9	60,117	4,581	111.7
	Mar	4.9	41.9	58,716	4,609	128.8
	Apr	4.5	41.1	57,976	5,081	116.6
	May	4.7	41.8	58,946	4,487	121.6
	Jun	4.8	41.9	54,135	4,725	142.9
	Jul	4.7	41.9	54,275	4,857	117.5
	Aug	4.6	41.7	52,786	4,386	137.2
	Sep	4.5	41.4	50,763	3,757	125.9
	Oct	4.6	41.8	52,856	4,682	137.2
	Nov	4.6	41.7	54,747	4,685	139.9
	Dec	4.6	41.8	53,745	4,680	126.8
1999	Jan	4.7	42.3	52,152	4,875	138.3
	Feb	4.7	41.9	52,800	5,119	133.9
	Mar	4.6	42.0	53,077	6,033	138.1
	Apr	4.7	41.9	53,310	5,082	133.2
	May	4.8	42.0	50,340	5,238	132.6
	Jun	4.6	41.9	51,519	5,569	158.9
	Jul	4.5	41.7	51,002	5,353	147.0
	Aug	4.6	41.5	51,037	5,808	133.2
	Sep	4.5	41.3	50,218	5,906	138.8
	Oct	4.7	41.6	49,393	5,614	131.9
	Nov	4.8	41.5	51,634	5,874	141.2
	Dec	4.9	41.5	44,723	6,674	150.3
2000	Jan	5.0	41.7	50,876	6,400	153.9
	Feb	4.9	41.4	49,482	6,930	151.3
	Mar	4.7	41.4	47,312	8,331	157.6
	Apr	5.2	41.9	45,719	7,557	125.2
	May	5.0	41.6	47,828	6,585	137.7
	Jun	5.0	41.7	49,339	7,330	180.7
	Jul	5.1	41.7	48,033	7,325	132.5
	Aug	5.0	41.7	47,831	7,015	150.9
	Sep	5.0	41.9	47,537	7,268	143.4
	Oct	5.1	41.8	49,454	7,236	136.1
	Nov	4.9	41.6	48,436	7,345	160.3
	Dec	4.8	41.5	52,027	6,494	157.0
2001	Jan	4.1	39.7	48,238	7,344	203.7
	Feb	4.1	40.2	49,840	6,441	141.8
	Mar	4.0	39.9	53,235	6,469	146.6
	Apr	3.5	39.5	55,088	6,227	150.2
	May	3.7	39.7	55,953	6,785	153.9
	Jun	3.8	39.4	54,962	6,413	139.6
	Jul	3.7	39.4	55,836	6,495	129.2
	Aug	4.0	39.6	57,578	7,267	156.1
	Sep	4.0	39.8	60,049	6,213	112.3
	Oct	3.8	39.4	65,425	7,171	151.8
	Nov	3.6	39.1	56,454	7,276	141.7
	Dec	3.7	39.3	46,950	6,957	162.6
2002	Jan	3.8	38.8	69,037	7,019	157.0
	Feb	3.9	39.5	53,411	6,871	170.9
	Mar	4.1	39.9	59,870	7,199	145.2
	Apr	4.1	39.9	67,385	7,324	158.6
	May	4.0	39.7	60,268	8,671	155.8
	Jun	4.1	40.0	59,416	6,985	137.7
	Jul	3.9	39.2	63,359	7,188	175.6
	Aug	4.1	39.8	61,672	7,574	161.3
	Sep	4.0	40.1	61,781	7,814	178.3
	Oct	3.7	39.6	64,707	n.a.	222.5
	Nov	3.9	39.7	56,294	n.a.	186.8
	Dec	3.9	39.7	57,268	n.a.	150.5
2003	Jan	3.9	39.5	63,107	n.a.	201.5
	Feb	4.0	39.9	55,617	n.a.	267.9
	Mar	3.7	39.7	58,143	n.a.	183.9

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

Coincident Indicators/^A

Employment, Unemployment

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1999	Jan	13,749	1,831	5.6	355
	Feb	13,782	1,829	5.6	368
	Mar	13,811	1,826	5.5	375
	Apr	13,861	1,828	5.4	364
	May	13,893	1,824	5.3	373
	Jun	13,910	1,823	5.2	376
	Jul	14,009	1,827	5.1	349
	Aug	14,014	1,825	5.0	352
	Sep	14,054	1,834	5.0	367
	Oct	14,115	1,839	4.9	345
	Nov	14,148	1,837	4.9	344
	Dec	14,201	1,837	5.0	342
2000	Jan	14,201	1,842	5.0	357
	Feb	14,258	1,842	5.0	346
	Mar	14,308	1,843	5.0	353
	Apr	14,338	1,846	5.0	338
	May	14,416	1,846	5.1	326
	Jun	14,458	1,856	5.1	333
	Jul	14,484	1,865	5.0	334
	Aug	14,529	1,865	5.0	335
	Sep	14,578	1,865	4.9	316
	Oct	14,580	1,868	4.8	333
	Nov	14,635	1,874	4.8	343
	Dec	14,678	1,879	4.7	319
2001	Jan	14,717	1,874	4.7	351
	Feb	14,719	1,865	4.7	354
	Mar	14,725	1,855	4.8	360
	Apr	14,662	1,831	4.9	387
	May	14,647	1,814	5.1	414
	Jun	14,635	1,798	5.2	424
	Jul	14,569	1,776	5.3	450
	Aug	14,582	1,762	5.6	472
	Sep	14,525	1,741	5.7	483
	Oct	14,518	1,725	6.0	541
	Nov	14,485	1,704	6.2	510
	Dec	14,458	1,688	6.2	510
2002	Jan	14,435	1,674	6.4	505
	Feb	14,444	1,665	6.5	533
	Mar	14,465	1,661	6.6	516
	Apr	14,486	1,661	6.6	542
	May	14,514	1,658	6.6	557
	Jun	14,504	1,651	6.7	546
	Jul	14,455	1,639	6.7	558
	Aug	14,479	1,630	6.7	531
	Sep	14,470	1,623	6.7	546
	Oct	14,493	1,619	6.8	563
	Nov	14,502	1,611	6.8	507
	Dec	14,465	1,607	6.9	506
2003	Jan	14,493	1,600	6.6	502
	Feb	14,478	1,598	6.7	509
	Mar	14,474	1,596	6.6	497

Income, Wages, Taxable Sales

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1999	Qtr I	952,645	116,442	93,739
	Qtr II	979,378	120,132	97,146
	Qtr III	1,004,877	127,321	99,747
	Qtr IV	1,042,548	132,822	103,096
2000	Qtr I	1,072,564	144,059	107,393
	Qtr II	1,087,119	140,913	109,940
	Qtr III	1,120,616	149,186	111,702
	Qtr IV	1,117,199	143,587	112,045
2001	Qtr I	1,146,375	139,703	111,989
	Qtr II	1,132,951	136,289	111,275
	Qtr III	1,119,507	129,823	108,517
	Qtr IV	1,114,191	127,732	109,442
2002	Qtr I	1,132,615	127,806	108,528
	Qtr II	1,143,799	125,382	109,986
	Qtr III	1,140,729	123,476	109,540
	Qtr IV	1,137,729	122,389	107,572

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

Other Indicators

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1991-92	23,843	21.2	2002		2003	
1982-83	26,387	22.2	1992-93	22,952	20.1	Jan	24,205	Jan	25,997
1983-84	28,520	23.0	1993-94	22,573	20.5	Feb	24,197	Feb	24,781
1984-85	29,115	20.8	1994-95	18,277	16.8	Mar	26,263		
1985-86	27,738	20.4	1995-96	18,230	16.7	Apr	27,081		
1986-87	24,515	18.4	1996-97	18,477	17.3	May	27,382		
1987-88	23,458	18.7	1997-98	17,401	15.9	Jun	28,972		
1988-89	23,125	19.3	1998-99	17,372	15.1	Jul	28,333		
1989-90	22,312	18.4	1999-00	18,100	14.7	Aug	29,634		
1990-91	24,265	19.5	2000-01	19,939	13.6	Sep	28,764		
						Oct	27,547		
						Nov	29,567		
						Dec	27,857		

a/ U.S. fiscal year: October through September

Economic Indicator Charts

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

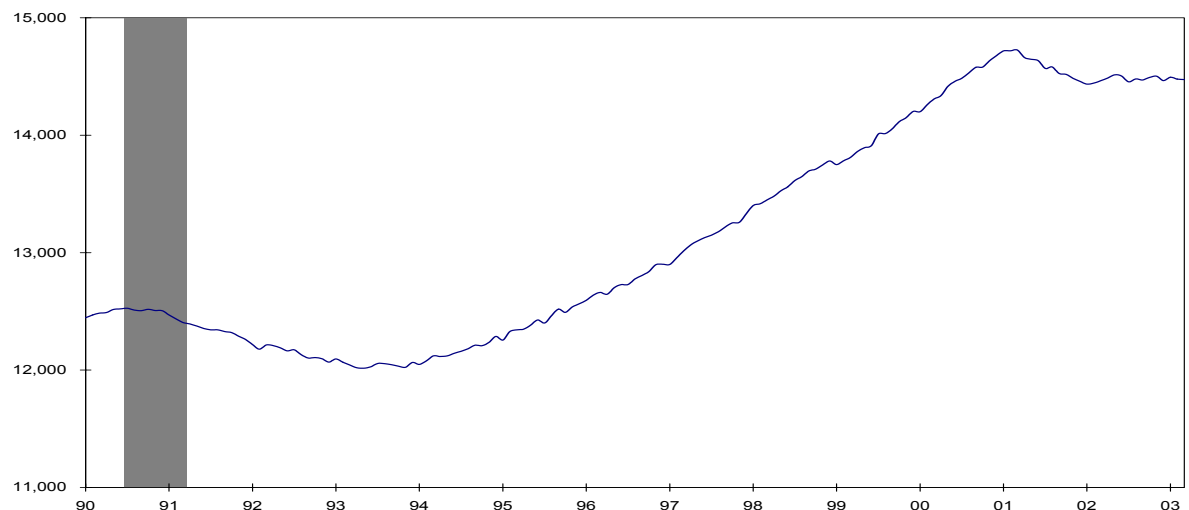
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

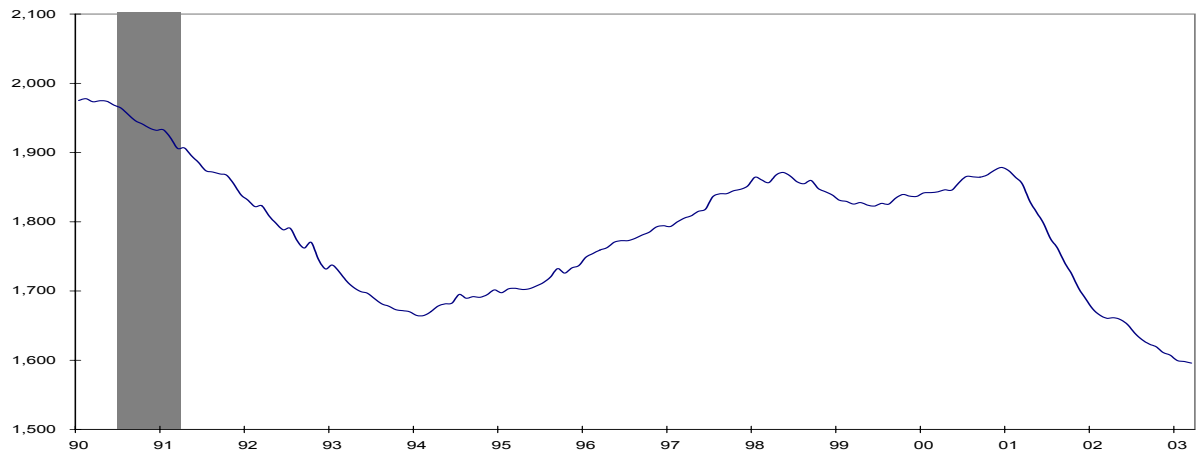
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

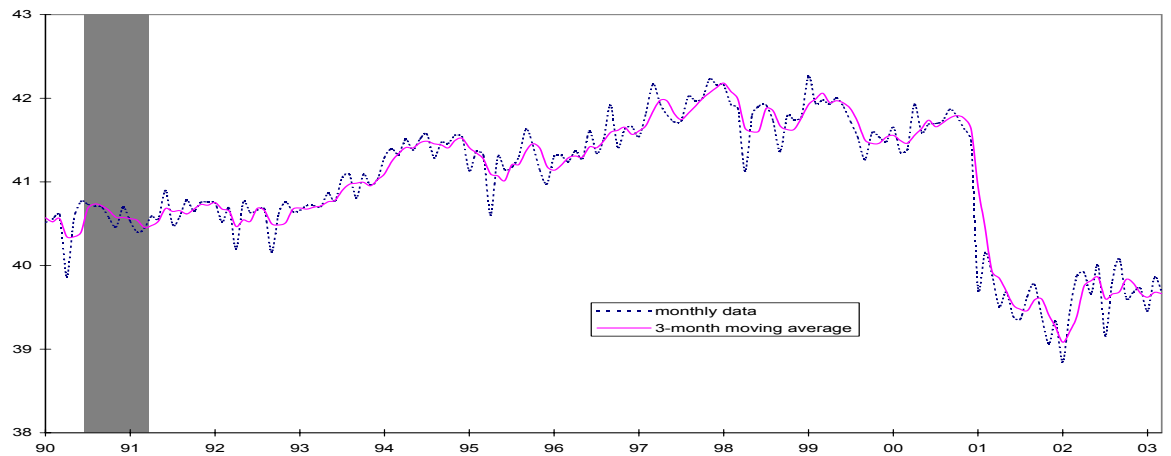
Nonagricultural Employment (Thousands, Seasonally Adjusted)



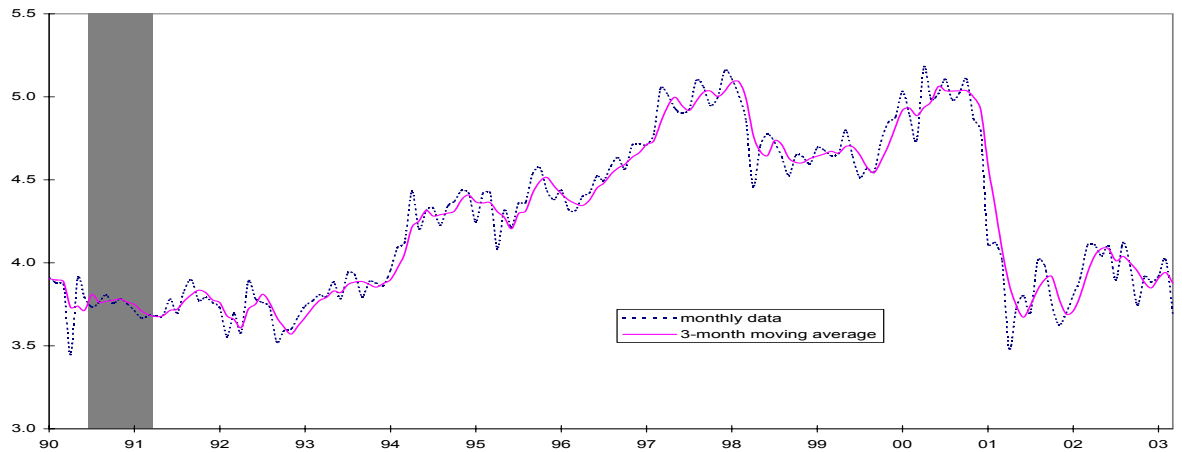
**Manufacturing
Employment**
(Thousands,
Seasonally Adjusted)



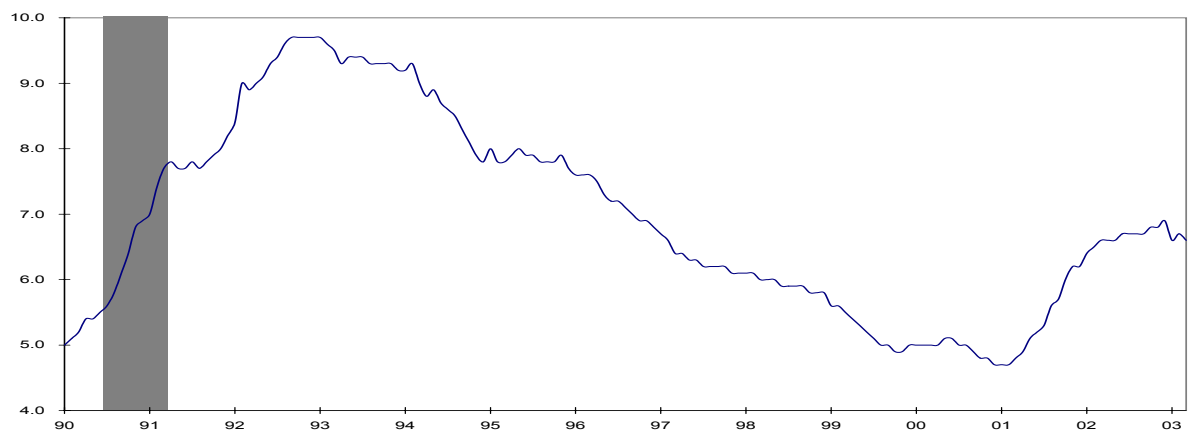
**Average
Weekly Hours,
Manufacturing**
(Seasonally Adjusted)



**Average
Overtime Hours,
Manufacturing**
(Seasonally Adjusted)

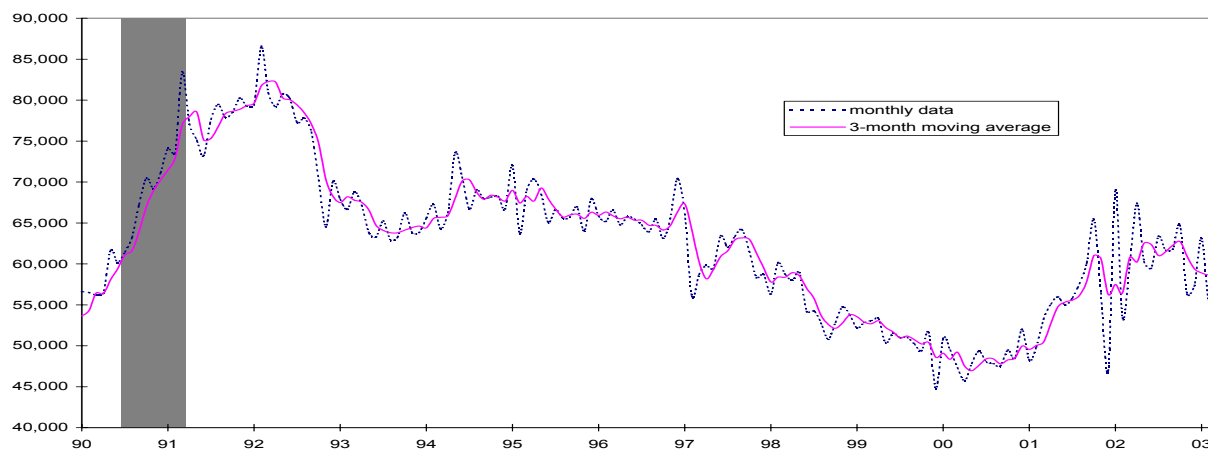


**Unemployment
Rate**
(Percent)



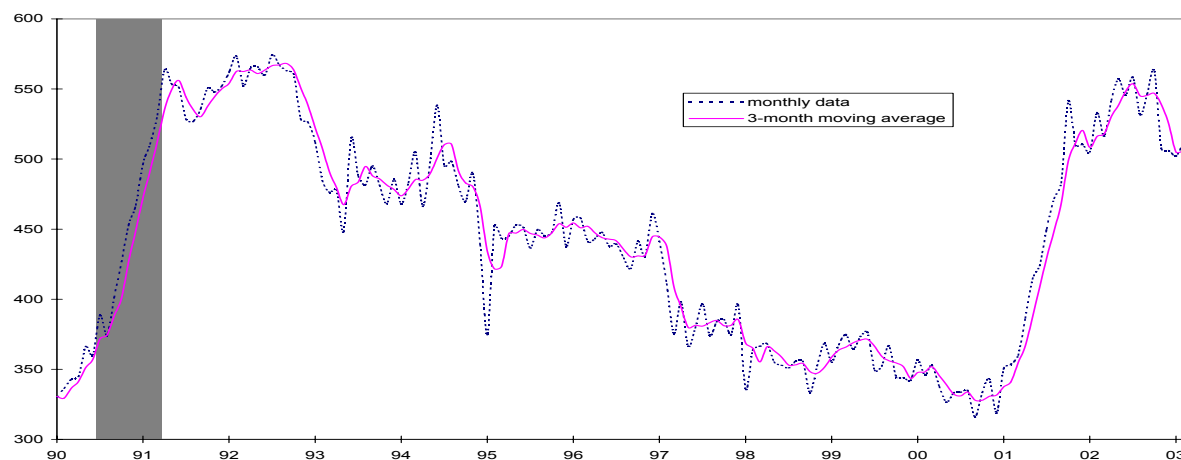
Initial & Transitional Claims for Unemployment Insurance

(Weekly Average, Seasonally Adjusted)



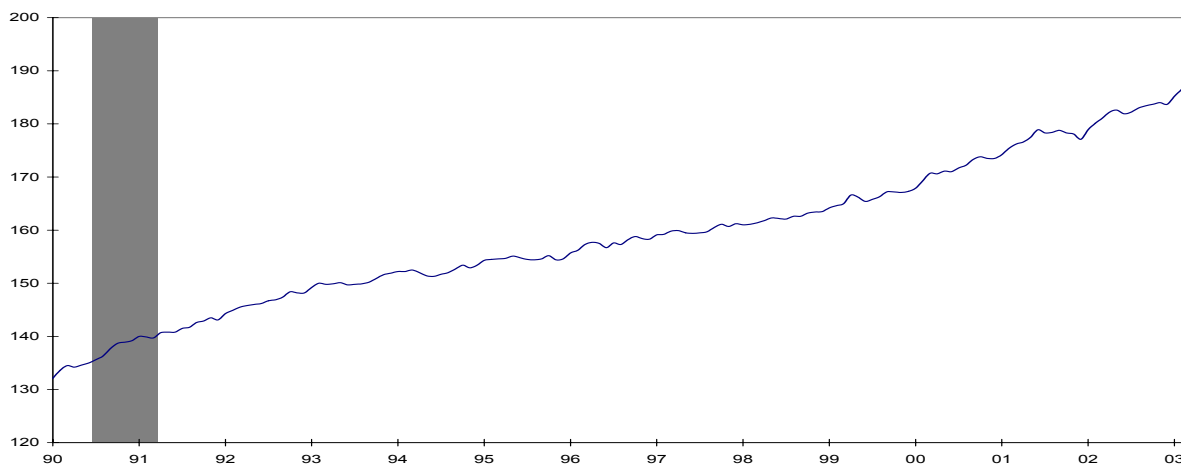
Unemployment, Average Weeks Claimed

(Thousands, Seasonally Adjusted)



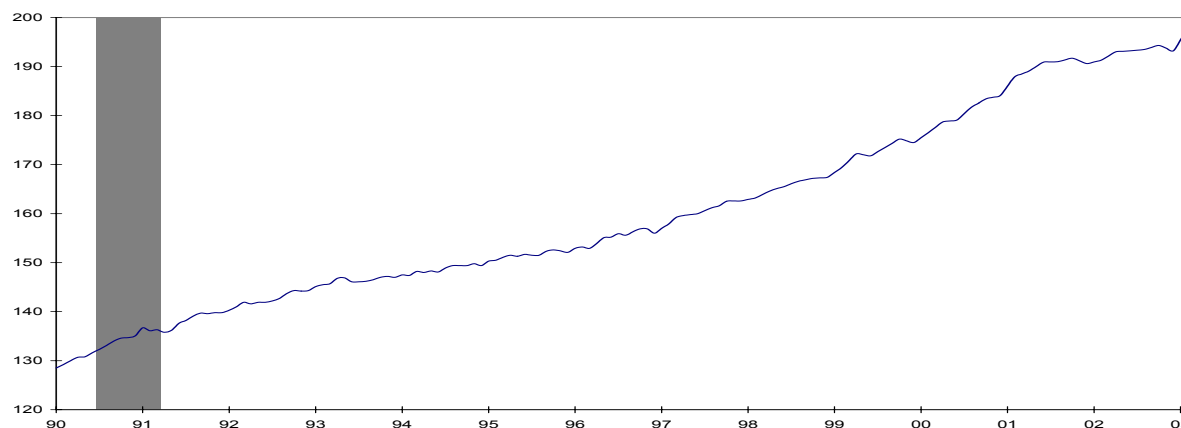
Consumer Price Index, Los Angeles

(1982-84=100)



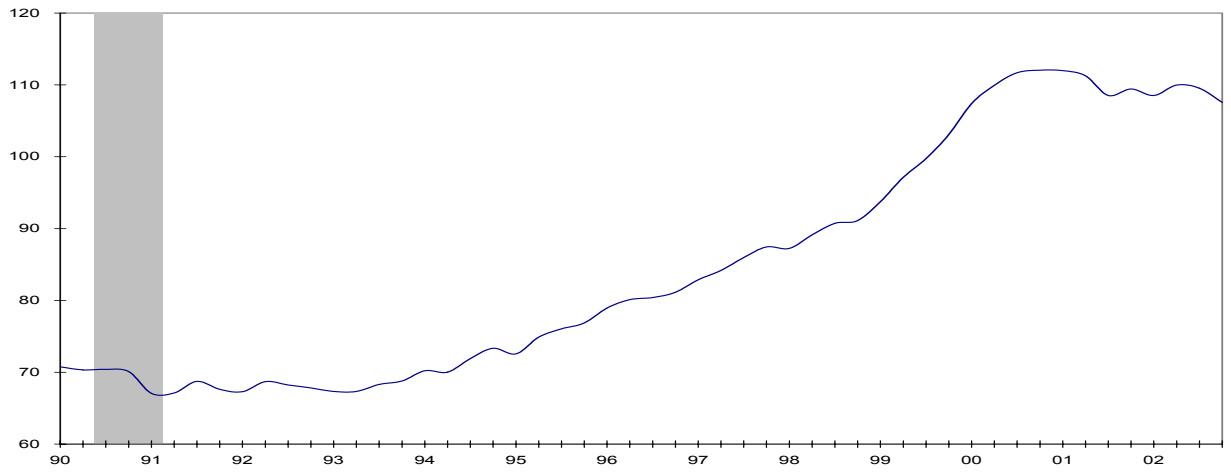
Consumer Price Index, San Francisco

(1982-84=100)



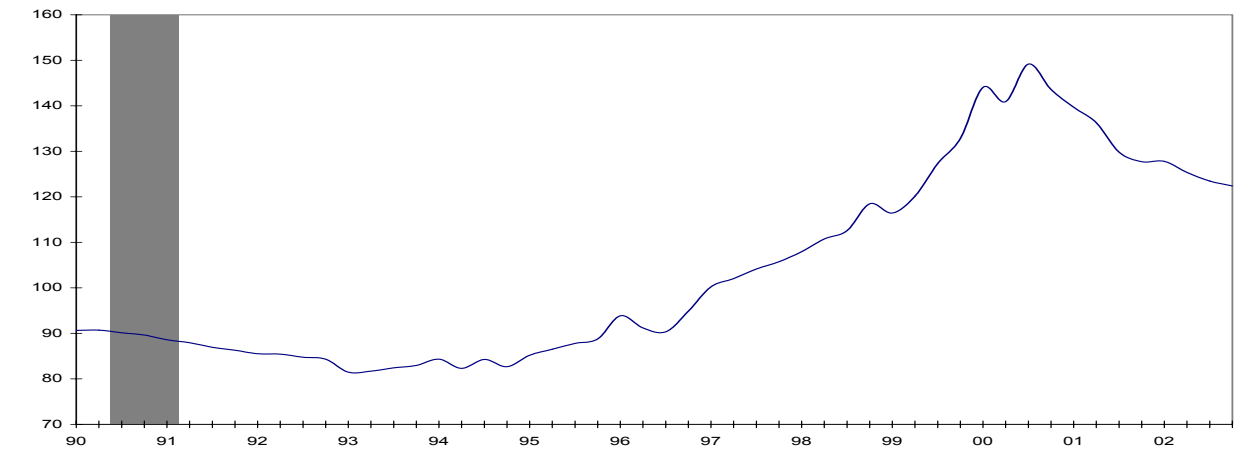
Taxable Sales

(Dollars in Billions,
Seasonally Adjusted)



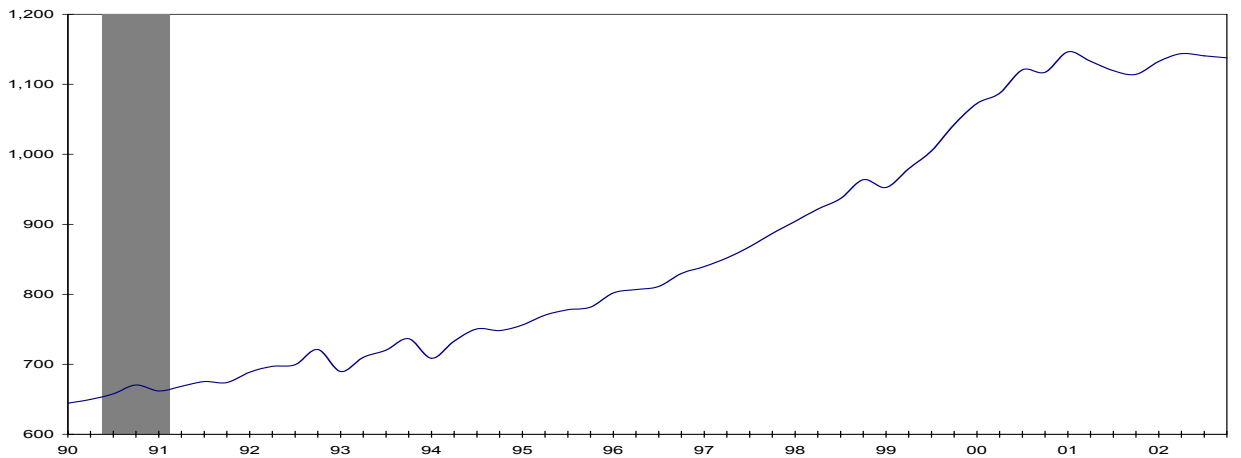
Wages and Salaries in Mining, Construction and Manufacturing

(Dollars in Billions,
Seasonally Adjusted)



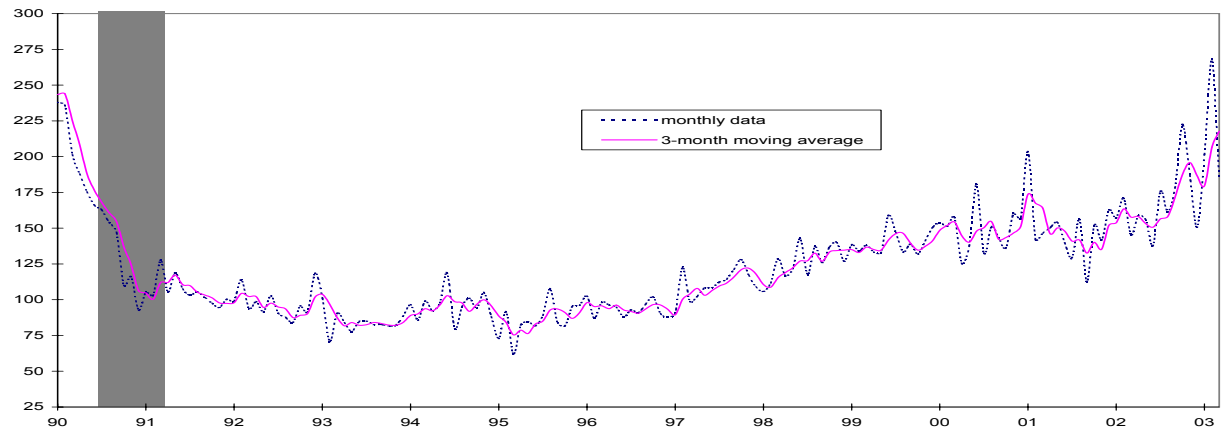
Personal Income

(Dollars in Billions,
Seasonally Adjusted)



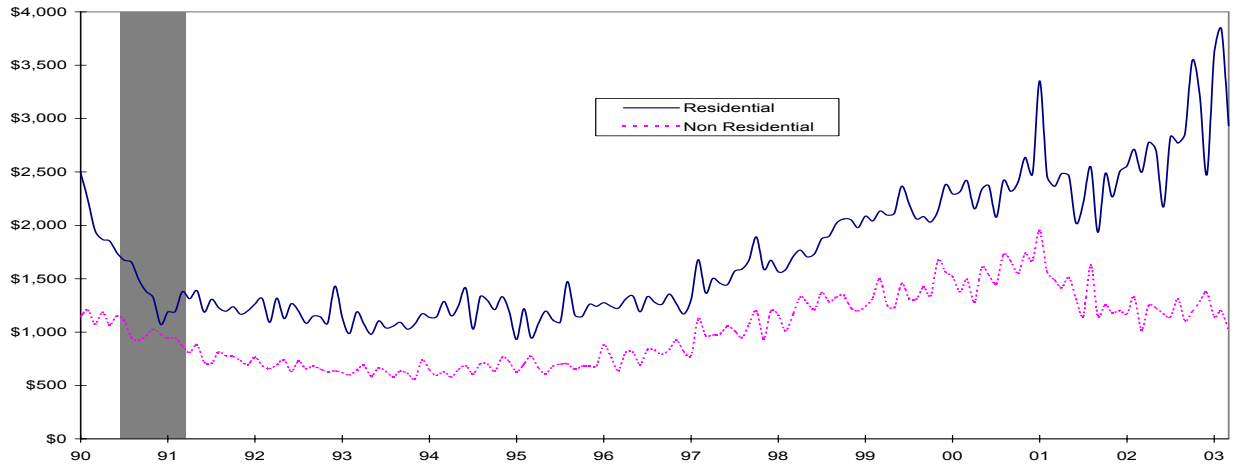
New Housing Units Authorized By Building Permits

(Thousands, Seasonally Adjusted at Annual Rate)



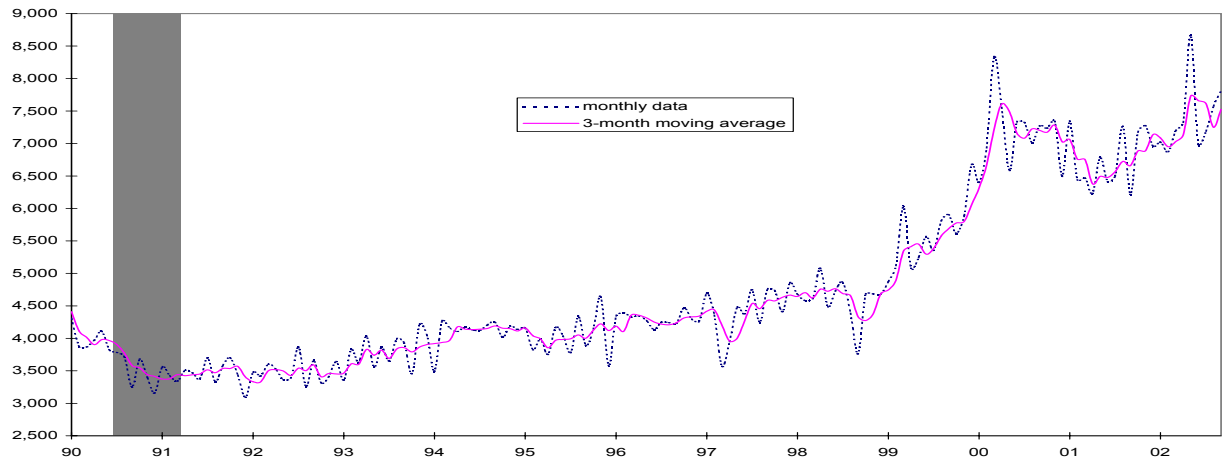
Residential & Nonresidential Building Permit Valuation

(Dollars in Millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



Chronology

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

2001

January 1

California's minimum wage raised from \$5.75 to \$6.25.
The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.

January 3

Federal funds rate reduced to 6.0 percent from 6.5 percent.
Discount rate reduced to 5.5 percent from 6.0 percent.

January 17

OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.

January 31

Federal funds rate reduced from 6.0 percent to 5.5 percent.
Discount rate reduced from 5.5 percent to 5.0 percent.

March 19	OPEC to cut oil production by 1 million barrels a day.
March 19-20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11-14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.
November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.
December 31	Markets fall for a second straight year for the first time since 1974.

2002

January 1	Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.
April 25	Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
May 13	President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.
June 27	GDP up 6.1 percent in Q1.
July 5	Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
July 8	Intel launches its Itanium 2 chip.
July 10	President Bush called for stiffer penalties to eradicate corporate fraud.
July 15	Pfizer to buy Pharmacia.
July 16	The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.
July 21	WorldCom filed for bankruptcy protection.
July 22	The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
July 30	President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.
July 31	GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters. Venture capital investments hit four-year low.
August 8	IMF signed an emergency loan to Brazil.
August 11	U.S. Airways filed for bankruptcy.
August 20	The U.S. trade deficit narrowed in June, following two straight record monthly deficits.
September 27-	
October 9:	Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.
November 6	Federal funds rate reduced from 1.75 percent to 1.25 percent. Discount rate reduced from 1.25 percent to 0.75 percent.
December 9	United Airlines filed for bankruptcy protection.
December 19	Standard & Poor's lowered California's bond rating to an A from an A+.

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Sept/Oct	2.70
Nov/Dec	1.35

2003

February 10**February 14-17****February 26**

Moody's lowered California's bond rating to A2 from A1.

A major snowstorm hit the Middle Atlantic and Eastern states.

Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS).

March 20**April 9****April 14**

Operation Iraqi Freedom begins.

Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.

President Bush declares conclusion of major combat operations in Iraq.

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